

Message Text

CONFIDENTIAL

PAGE 01 BONN 17598 01 OF 02 091242Z

42

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-05 L-02

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 EB-04 CIEP-01 TRSE-00 STR-01 OMB-01

CEA-01 COME-00 FEA-01 AEC-05 FRB-01 XMB-02 IGA-01

AGR-05 /083 W

----- 050230

P R 091230Z NOV 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 6167

INFO USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY MOSCOW

USMISSION NATO BRUSSELS

USMISSION USBERLIN

C O N F I D E N T I A L SECTION 01 OF 02 BONN 17598

USBERLIN FOR THE AMBASSADOR

E.O. 11652: GDS

TAGS: EGEN, EEC, GW

SUBJECT: FRG VIEWS ON EC SUMMIT CONFERENCE; ECONOMIC
PERSPECTIVE

REF: BONN 17062

1. SUMMARY: ECONOMIC MINISTRY DEPUTY ASSISTANT

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 17598 01 OF 02 091242Z

SECRETARY MORAWITZ BRIEFED AN EMBOFF NOVEMBER 8 ON EACH

OF THE MAJOR ECONOMIC POLICY TOPICS ON THE SUMMIT AGENDA GIVING A MORE PESSIMISTIC ASSESSMENT THAN THAT GIVEN TO THE AMBASSADOR BY VAN WELL (SEE SEPTTEL). CONFIRMING PRESS REPORTS, HE SAID THAT IN DISCUSSIONS WITH ORTOLI IN BONN ON NOVEMBER 7, SCHMIDT AND GENSCHER EXPRESSED CONSIDERABLE PESSIMISM OVER PROSPECTS FOR A FRUITFUL OUTCOME FROM THE PLANNED EC SUMMIT MEETING, AS WELL AS CONCERN ABOUT IMPACT ON THE COMMUNITY THAT WOULD BE CAUSED BY AN OBVIOUS FAILURE. THERE DID NOT SEEM TO BE ANY AREA IN WHICH REAL PROGRESS CAN BE MADE. CONCERTED ECONOMIC POLICY CANNOT TAKE PLACE AS LONG AS OTHERS DO NOT TAKE REQUISITE STEPS TO COMBAT INFLATION. VARIOUS PROPOSALS IN MONETARY AREA ALL RELY IN FINAL ANALYSIS ON FRG TO FOOT THE BILL, AND THIS THE FRG IS NOT PREPARED TO DO. WITHOUT FRENCH PARTICIPATION IN IEP NO REAL PROGRESS IN ENERGY FIELD CAN BE MADE BY EC. WHILE FRENCH PROPOSALS FOR INSTITUTIONAL REFORM HAVE MERIT, OPPOSITION BY UK, IRELAND AND DENMARK WILL BLOCK PROGRESS ON THIS FRONT. I

- END SUMMARY.

2. IN DISCUSSIONS WITH EMBOFF ON NOVEMBER 8, DR. MORAWITZ, DEPUTY ASSISTANT SECRETARY FOR EC AFFAIRS IN ECONOMICS MINISTRY, REVIEWED FRG POSITION ON EACH OF THE MAJOR TOPICS ON SUMMIT AGENDA AND PAINTED A BLACK PICTURE OF LIKELIHOOD OF ANY POSSIBILITY FOR SUCCESS. OTHER HIGH-RANKING OFFICIALS IN ECONOMICS AND FINANCE MINISTRIES HAVE ALSO EXPRESSED CONSIDERABLE PESSIMISM ABOUT SUMMIT PREPARATIONS TO THE EMBASSY.

3. COORDINATION OF ECONOMIC POLICY -- IN LIGHT OF THE INFLATION TAKING PLACE IN THE OTHER MAJOR EC COUNTRIES AND INABILITY OF GOVERNMENTS TO TAKE EFFECTIVE STEPS TO COUNTER THIS INFLATION, MORAWITZ DID NOT SEE HOW SUMMIT COULD PRODUCE ANYTHING MORE THAN A FEW PIOUS WORDS. IN A BRIEF REVIEW OF ECONOMIC SITUATION IN COMMUNITY, HE NOTED THAT INFLATION IN ITALY HAS REACHED 24 PER CENT AND EXPRESSED SPECIAL CONCERN ABOUT PROSPECTS FOR FRENCH ECONOMY. WHILE ALSO NOTING WITH SOME WORRY THE IN-

CONFIDENTIAL

PAGE 03 BONN 17598 01 OF 02 091242Z

CREASE IN UNEMPLOYMENT IN GERMANY, HE SAID FRG WOULD CONTINUE TO REJECT EFFORTS BY OTHERS TO PERSUADE IT TO "STEP ON THE GAS" AT THIS TIME.

4. FINANCIAL AND MONETARY COOPERATION -- ALL THE PROPOSALS IN THIS AREA DEPEND ON FRG IN FINAL ANALYSIS TO FOOT THE BILL. FRG HAS ALREADY DONE A LOT (ITALIAN LOAN, AGREEMENT TO COMMON EC BORROWING FACILITY, \$150

MILLION IN ASSISTANCE TO MSAS) AND IS UNWILLING TO DO MORE AT THIS TIME. REGIONAL POLICY WILL POSE MOST DIFFICULT PROBLEM FOR FRG AT SUMMIT, FOR COMMISSION AND OTHER MEMBER COUNTRIES HAVE AGREED TO SHAPE REGIONAL POLICY SO THAT FUNDS WILL BE DIRECTED TO MOST DEPRESSED AREAS, THUS AVOIDING WATERING CAN APPROACH TO WHICH FRG HAS OBJECTED. NEVERTHELESS FRG WILL REFUSE SUPPORT REGIONAL FUND AT THIS TIME, SOLELY ON GROUNDS THAT IT HAS MADE MORE THAN SUFFICIENT CONTRIBUTIONS IN OTHER AREAS TO KEEP THE COMMUNITY GOING. FRG WILL ALSO REFUSE TO SUPPORT PROPOSAL TO TRIPLE THE MEDIUM-TERM CREDIT FACILITY, AS WELL AS PROPOSAL TO ENLARGE THE

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BONN 17598 02 OF 02 091243Z

42

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-05 L-02

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 EB-04 CIEP-01 TRSE-00 STR-01 OMB-01

CEA-01 COME-00 FEA-01 AEC-05 AGR-05 FRB-01 XMB-02

IGA-01 /083 W

----- 050245

P R 091230Z NOV 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 6168

INFO USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY MOSCOW

USMISSION NATO BRUSSELS

USMISSION USBERLIN

C O N F I D E N T I A L SECTION 02 OF 02 BONN 17598

COMMON BORROWING FACILITY. THE FRENCH PROPOSAL FOR A CONCERTED FLOAT IS ALSO OPPOSED ON GROUNDS THAT IT WOULD RELY IN THE END ON DM INTERVENTION ON BEHALF OF COMMUNITY AS A WHOLE.

5. ENERGY COOPERATION -- SPECIFICALLY HITTING FRENCH DECISION NOT TO JOIN IEP, MORAWITZ SAID THAT IN LIGHT OF FRENCH ACTION THE SUMMIT CANNOT MAKE REAL PROGRESS
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 17598 02 OF 02 091243Z

IN THIS AREA. THE PROPOSALS PUT FORTH BY FRENCH CONCERN ONLY THOSE MEASURES WHICH WOULD HELP STRENGTHEN DOMESTIC POLITICAL POSITION OF FRENCH GOVERNMENT. MORAWITZ CITED IN PARTICULAR THE FRENCH CONSERVATION PROPOSALS, WHICH HE BELIEVES ARE INTENDED TO RELIEVE INTERNAL PRESSURE ON FRENCH GOVERNMENT RESULTING FROM DECISION TO RESTRICT ENERGY IMPORTS BY 15 PER CENT. FRG WILL RELY ON PRICE SYSTEM AS MECHANISM TO REDUCE DEMAND. THIS IS WORKING IN GERMANY, AND FRG WILL OPPOSE ANY EFFORT TO CONTROL IMPORTS.

6. INSTITUTIONAL REFORM -- FRENCH HAVE PUT FORTH INTERESTING AND IMPORTANT SUGGESTIONS. HOWEVER, NO PROGRESS CAN BE MADE AT THIS TIME IN VIEW OF CLEAR RELUCTANCE BY UK, IRELAND AND DENMARK TO MOVE IN THIS DIRECTION AT THIS POINT.

7. INTENSIVE PREPARATIONS ARE TAKING PLACE FOR THE FONMIN COUNCIL. GENSCHER WILL VISIT PARIS NOVEMBER 9 FOR DISCUSSIONS WITH SAUVAGNARGUES, AND CALLAGHAN IS EXPECTED TO VISIT BONN NOVEMBER 10 AND ACCOMPANY GENSCHER TO BRUSSELS. MORAWITZ TERMED IT AS NOT UNLIKELY THAT FOREIGN MINISTERS WOULD DECIDE AGAINST HOLDING SUMMIT. HE BELIEVES SUCH A DECISION WOULD BE MUCH MORE PREFERABLE THAN TO HOLD A SUMMIT WHICH COULD ONLY END IN CONFLICT AND FAILURE. THE IMPORTANT OBJECTIVE AT THIS POINT IS SIMPLY TO HOLD ON TO THE REAL ECONOMIC BASIS OF THE COMMUNITY, THE CUSTOMS UNION, AND EVEN DOING THIS WILL BE DIFFICULT.

8. COMMENT: IN RECENT DISCUSSIONS WITH EMBASSY OFFICERS, FRG OFFICIALS RESPONSIBLE FOR THE VARIOUS ECONOMIC POLICY AREAS ON SUMMIT AGENDA HAVE INDICATED THAT NEAR-TERM PROGRESS IN EC CONTEXT WAS NOT IN CARDS

AS FAR AS THEIR PARTICULAR AREA WAS CONCERNED.
MORAWITZ'S OFFICE IS RESPONSIBLE FOR COORDINATING FRG
POSITIONS FOR EC MEETINGS AND FOR INSTRUCTING FRG
PERM REPS IN BRUSSELS. HE HAS BEEN PARTICULARLY WELL
INFORMED ABOUT FRG POLICY TOWARDS EC. DESPITE THIS
GENERALLY GLOOMY ASSESSMENT OF PROGRESS, THE FACT IS
THAT, IN THE FINAL ANALYSIS, THE FRG POSITIONS ON THE
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BONN 17598 02 OF 02 091243Z

HOLDING OF A SUMMIT AND ON THE ISSUES TO BE DISCUSSED
THERE WILL BE DECIDED BY THE CHANCELLOR HIMSELF
ESSENTIALLY ON POLITICAL GROUNDS.
HILLENBRAND

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SOVEREIGNTY, ECONOMIC COOPERATION, POLICIES, PRESS CONFERENCES, INTERGOVERNMENTAL COOPERATION
Control Number: n/a
Copy: SINGLE
Draft Date: 09 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BONN17598
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740323-0611
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741156/aaaabvwp.tel
Line Count: 240
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: BONN 17062
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 08 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 APR 2002 by izenbei0>; APPROVED <08-Aug-2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FRG VIEWS ON EC SUMMIT CONFERENCE; ECONOMIC PERSPECTIVE
TAGS: EGEN, GE, EEC, (GISCARD D'ESTAING, VALERY)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005